

THE BROOKINGS INSTITUTION

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A CONVERSATION ON THE US APPROACH TO THE PEOPLE'S REPUBLIC OF CHINA  
WITH DEPUTY SECRETARY OF STATE WENDY R. SHERMAN

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INTRODUCTION:

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KEYNOTE:

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**Suzanne Maloney:** Good morning. I'm Suzanne Maloney, vice president and director of Foreign Policy here at the Brookings Institution, and I'm absolutely delighted to welcome you to our discussion today with Deputy Secretary of State, the Honorable Wendy Sherman. Our discussion today comes amidst an intense debate after the discovery and subsequent shoot down of a Chinese surveillance balloon that was flying over the United States. These rising tensions reinforce the importance of thinking clearly and comprehensively about China and its role in the world. Our event today is the culmination of the second phase of Brookings Global China project, a whole of institution endeavor to evaluate the implications of China's rise and America's response. The research conducted during this phase of the project was focused on generating original policy proposals for addressing various facets of China's emergence as a global actor. Our discussion today will examine how the United States is approaching the challenge posed by China, how is the Biden administration working with allies and partners to address the challenge, and how can the intensifying strategic, economic and systemic competition between Washington and Beijing be managed responsibly?

These are, of course, very timely and important questions, and it's hard to imagine a better person to join us on stage to dive into this discussion among these topics. I'm honored to welcome Deputy Secretary of State Wendy Sherman back to Brookings. And I'm especially grateful that we're able to gather here in our Falk Auditorium. Over the years, Brookings has been very privileged to engage with the Deputy secretary on a wide range of foreign policy issues, especially around China and the Indo-Pacific.

Let me give just a very brief introduction. Deputy Secretary Sherman was confirmed by the Senate on April 13th, 2021, and sworn in as the 21st and First Female Deputy Secretary of State on April 14th, 2021. Immediately prior to her current position, Deputy Secretary Sherman was Professor of Practice and Director of the Center for Public Leadership at Harvard University's Kennedy School of Government. She was also a senior fellow at Harvard's Belfer Center for Science and International Affairs and a senior counselor at Albright Stonebridge Group. From 2011 to 2015, Deputy Secretary Sherman served as Undersecretary of State for Political Affairs, and she was awarded the National Security Medal by President Barack Obama. Among her many achievements in that role, she played an absolutely essential part in the complex, multi-year, multilateral diplomacy that produced the 2015 nuclear deal between Iran, the United States and five other world powers.

In a moment, I'll turn the podium over to Deputy Secretary Sherman for a keynote address. After her remarks, she'll be joined in conversation by two amazing Brookings colleagues, experts Ryan Hass and Patty Kim in a moderated discussion. In organizing this event today, we are very grateful for the support of the Ford Foundation, for the respect that they and all of our supporters have always shown for Brookings's research independence, which is sacrosanct. Today's event, as always, reflects only the views of the speakers themselves. Briefly, a final reminder that we are on the record today and we're streaming live. So please send your questions by email to events at Brookings dot edu or on Twitter using the hashtag Global China. For those of you in the auditorium, Brookings staff will come around with microphones for the question-and-answer session toward the final moments of this event today. Now, let me invite the deputy secretary to the stage. Thank you so much.

**Wendy Sherman:** Oops. So, pardon the chair. I have one of those really pesky backs which some of the rest of you may have as well, so I may sit. Good morning, everyone, and thank you, Suzanne, for that introduction. And thank you to the team at Brookings for organizing today's discussion. You know, when we first talked about doing an event tied to your Global China program, the topic was, in a sense, evergreen. We could have planned this conversation virtually any time. The People's Republic of China, the challenges it poses, the stakes for global norms and values, the strategies and policy choices demanded from the United States and our partners; these questions have stood front and center from the moment President Biden took office. We've known that the PRC is the pacing geopolitical challenge of our era, one that will test American diplomacy like few issues in recent memory. We recognize that the PRC is the only competitor with the intent and the means to reshape the rules-based international order. We've witnessed how these facts play out in real time, and the PRC's provocative acts in the South and East China Sea, its human rights abuses in Hong Kong, Xinjiang and Tibet, its use of economic coercion, its threatening behavior against Taiwan and more.

All of that was true two weeks ago. Then the American people saw the latest example of that reality after the U.S. government detected, closely tracked and ultimately shot down a PRC high altitude surveillance balloon that had entered our territorial airspace in a clear violation of our national sovereignty and international law. Let me add that PRC's high altitude balloon surveillance program violated not only U.S. sovereignty, but over the years of many other countries as well. In response to this most recent incident, we worked swiftly and deliberately. We worked to keep members of

Congress up to date, we stayed in close touch with our allies. We made it clear directly to PRC officials that the presence of this surveillance balloon was unacceptable.

This past Friday, the Commerce Department listed six PRC entities, firms that have directly supported the People's Liberation Army's aerospace programs, including airships, balloons and related components. Taken together, these steps reaffirm our administration's core priorities. We will always act decisively, anywhere and everywhere to protect the safety and security of the American people. We will always answer the challenges presented by the PRC with determination and resolve. We will always defend U.S. interests and ideals, promote universal human rights, and stand up for the rules-based international order. Through it all, we have, we are, and we will maintain open lines of communication with the PRC so we can responsibly manage the competition between our countries.

We do not seek conflict with the PRC. We believe in the power of diplomacy to present, to prevent miscalculations that can lead to conflict. Where we can, where it enhances U.S. interests and global peace and security, we are ready to work with the PRC on issues that demand our collaboration: issues like climate, food security, counter-narcotics, global health and more. Still, the PRC's irresponsible acts put on full display what we've long understood. That the PRC has become more repressive at home and more aggressive abroad.

It reinforced the need for us to double down on the core pillars of our strategy: invest, align, compete. Here's what that means. Simply put, we are investing in the foundation of our strength on our shores with funding from bipartisan bills like the CHIPS Act, Chips and Science Act, the Bipartisan Infrastructure Law and the Inflation Reduction Act. This includes an effort led by Secretary Blinken to modernize our work at the State Department and equip our remarkable diplomats and public servants to meet the challenges and opportunities of the decade ahead. Our new China House is a key component of that agenda, an office that unites representatives from all bureaus under one roof to grow our capabilities and improve coordination between our headquarters, our posts in the PRC and our diplomats worldwide.

Next, we are aligning with like-minded partners globally to strengthen our shared interests and values and address the challenges posed by the PRC. Finally, by investing in ourselves and aligning with our partners, we gain a stronger hand to compete with the PRC and push back against its aggressive military, diplomatic and economic practices. These are the building blocks of our approach. But for the balance of my comments, I want to drill down into that second pillar: align. This

is a really vital piece of the puzzle, something you understand deeply and implicitly here at Brookings. Otherwise, why would you dub your initiative Global China? It's because you appreciate, as we do at the State Department, that the PRC challenge touches nearly, really touches every region in the world, every function, every issue under the sun. So how we align our policies with other countries matters, maybe now more than ever.

To that end, over the past two years, we have brought together the G7 and used it to drive outcomes on the world's most pressing problems. We've deepened our partnerships with Japan, the Republic of Korea, Australia, Thailand, the Philippines, India and countries all over the map on every continent. We have never been more aligned with our partners in Europe on how the PRC impacts our shared security, prosperity and values. We have strengthened and deepened the US-EU dialogue on China and Indo-Pacific consultations, advanced democratic approaches to trade, technology and security through the U.S. EU Trade and Technology Council and placed the PRC and Indo-Pacific at the top of the agenda in the transatlantic relationship. We've instructed our diplomats to engage on this challenge in the Indo-Pacific, the Middle East, Africa, South America, on every single continent. We've amplified this work with our team of regional China officers who coordinate with embassies to monitor and push back on problematic PRC inroads. We have made a concerted effort to share information with our partners to reinforce the scope of the threats posed by the PRC and the necessity of our unity in confronting them.

Make no mistake, we do not seek another Cold War. But we do ask everyone to play by the same set of rules so that all countries and all people can make their own choices. With our partnerships in place, we will keep pushing back against PRC activities that seek to coerce other countries, distort markets, and undermine American workers and businesses. We will continue to oppose Beijing's unlawful acts in the South and East China Seas, hold accountable those involved in human rights violations in Tibet and Xinjiang, and support the people of Hong Kong. We will continue to do everything possible to bring home unjustly detained Americans. We will continue to warn the PRC against providing military support to Russia's war in Ukraine and to crack down on PRC entities engaged in harmful activities. We will keep working to address the PRC's transnational repression, including their so-called overseas police stations that restrict the rights of the Chinese diaspora around the world. We will keep taking decisive steps to prevent the PRC's exploitation of U.S. technology to enable its own military modernization.

Finally, we will keep working to preserve peace and stability in the Taiwan Strait. We remain committed to our long standing one-China policy and oppose any unilateral shifts to the cross-strait status quo. Our policy has not changed. What has changed is Beijing's growing coercion. So we will keep assisting Taiwan in maintaining a sufficient self-defense capability. When all is said and done, what President Biden said in the State of the Union rings true. We are now in, as he said, quote, the strongest position in decades to compete with China or anyone else, unquote. With so many big-ticket items on our radar, no pun intended, the stakes could not be higher. We must act with resolve, with reason, with deliberation and cooperation toward the future we seek.

That is what makes our align pillar so essential. When it comes to the PRC or when we tackle any other issue around the world, no matter what challenges we face, our relationships are central and key. Our ability to tap into our wellspring of diplomatic bonds, our collaboration with partners abroad, our investment in bilateral ties and multilateral institutions; it's all essential to sustaining and strengthening a system rooted in long held norms and rules. Our administration is doing this hard work of diplomacy year-round. It's not sexy. It doesn't lead the headlines. But progress would not be possible. Our goals and any positive news would not be achievable without the tough steps we take every day far from the spotlight.

We saw this on display just over the past two days as I hosted my counterparts from the Republic of Korea and Japan for our fifth trilateral meeting. Our agenda was robust, covering everything from development to health to democracy promotion and defense. Together, we touted the importance of our coordination across the Indo-Pacific. We highlighted our unified response to the DPRK's destabilizing behavior. We renewed our commitment to complete denuclearization of the Korean Peninsula. We reiterated our support for global norms in the face of the PRC's efforts to undermine them. We reaffirmed our support for Ukraine against Russia's unprovoked invasion and committed to ongoing collective action on human rights, gender equality, food security, energy affordability, humanitarian assistance, economic fairness, and on and on. We also brought the EU's Secretary General into these discussions, yet another sign of how our policies and priorities are aligning with partners everywhere and helping other countries and institutions align with each other as well.

This gathering happened just after we marked one year since the launch of our Indo-Pacific strategy. Our affirmative vision for a region that is free and open, connected and secure, prosperous

and resilient, a vision defined not in terms of what we're against, but what we stand for: our common values and interests, dynamic economies and free societies. Alongside partners across the Indo-Pacific, we are doing our part to promote democracy, the rule of law, economic prosperity, freedom of navigation, free and open media and more. We are advancing commitments made at the summit of democracy, summit for democracy, pursuing strategic dialogues with the ROK, Japan and Vietnam on governance and human rights. Standing up for democracy and dignity in Burma. Funding civil society organizations across South Asia. We're elevating our engagement with our friends in the region with new embassies in Solomon Islands and the Maldives, with plans for greater diplomatic presence in the Pacific Islands, with regular collaboration with the quad. That's Australia, India, the U.S. and Japan. There's another quad in Europe. ASEAN, Partners in the Blue Pacific and beyond. We are driving regional prosperity through the Indo-Pacific economic framework, which is tackling issues around supply chains, trade, the digital economy and the clean energy transition.

Through our APEC host year, we are focused, as our theme says, on, quote, creating a resilient and sustainable future for all, unquote. Through our work with India, we are strengthening innovation ecosystems in both our countries. Through these examples and many others, we are advancing the economic development and dynamism of the entire region. We are also strengthening regional security by modernizing our defense cooperation, conducting extended deterrence dialogues and increasing joint military exercises. We are bolstering maritime safety and growing countries' capacity to monitor their own waters and cyberspace. We are deepening key alliances as well, designating new enhanced defense cooperation sites with the Philippines and advancing the Australia, United Kingdom, U.S. Partnership.

Finally, we are building up regional resilience by investing in pandemic preparedness, delivering 267 million doses of safe and effective COVID vaccines to the region, mobilizing billions of dollars in clean energy, clean air and climate projects from Indonesia to Vietnam to Bhutan. Here's the bottom line. With our Indo-Pacific strategy, as with our wide range of relationships worldwide, we are reinforcing the architecture of diplomacy, of global engagement, of international dialogue. In the face of so many challenges, this must and will remain the bedrock of our foreign policy, part of a proactive strategy to forge a planet defined by cooperation and collaboration, shared prosperity and steady progress. This grows out of what the President called for as soon as he took office: to reinvigorate America's network of partnerships and alliances, to deepen our engagement in multilateral

institutions, to tap into long time relationships and build new coalitions designed to meet the tests of our time. This couldn't be more essential. Because when we do this effectively, we place ourselves at the heart of a global effort to make real the promise of diplomacy, realizing the vision of a world that's more dynamic and democratic, prosperous and peaceful, fair and free. Thank you.

**Patricia Kim:** Deputy Secretary Sherman, thank you so much for your opening remarks and for joining us here today at Brookings. We are very privileged to have you here today to join us in a conversation at this very timely moment on the Biden administration's approach towards China and the future of US-China relations, which really is a topic of consequence, not just for us here in the US and in China, but for the entire world. And so I'd like to start our conversation by taking a step back from the day to day and to get your thoughts on the bigger picture.

So in your opening remarks, you laid out the core of the Biden administration's strategy on China, which boils down to invest, align, compete, and in the 2022 national security strategy, it clearly states that the United States intends to outcompete China by investing at home and aligning with, aligning efforts with our friends and allies. And so I want to ask, you know, what does success look like? How do we know when we've succeeded in this competition with China? Is there a particular end state that we're striving for? And if so, what does this look like?

**Wendy Sherman:** That is a really big question. So let me say a few things about it. This is a pacing challenge, not this year alone, critical for the decade ahead. The world is changing so rapidly. One of the other innovations that the Secretary of State, Secretary Blinken, has forged is a new Bureau of Digital and Cyber Policy and a special envoy for emerging tech. And the reason I mention that is the world I grew up in— you can tell from my silver hair, I'm not, you know, I turn to people like you when I don't know what to do with my computer— the world will change dramatically. I tease about turning to people your age when I have technology problems because it doesn't come naturally to me, but to my nine- and seven-year-old grandsons, piece of cake. It's their world, and we have to be ready for this. And China is investing billions in being ready for this world, in quantum, in AI, in other emerging technologies, certainly in all of the semiconductors that we will need and need now. Most Americans don't realize that in their car there have thousands of chips to be able for that car to operate. So this is a long term challenge and I think the way we know we are ensuring our vision of the world, the international rules-based order which helped China to rise, that they now want to change so that it only works for them, but not for the rest of us, means that we have to invest in our

country to be able to understand and own that technology, secure it, work with our partners and allies to have that supply chain if we don't have it ourselves, from critical minerals to the advanced technology that we have reliable partners who do.

There's resilience, there's redundancy to those systems so that the world we have that is free, open, interconnected, where there is sovereignty and territorial integrity that is looked at by people and observed, means that we have to do a lot of hard work. I'll name one other area where we have to do a lot of hard work. The PRC literally spends billions of dollars in sending information around the world. Billions. The disinformation efforts by the PRC are profound. We're doing better. But we are not yet at the place we need to be so that folks around the world understand what we are trying to accomplish. It's not about that the PRC doesn't have a right to choose its own system; they can choose their own system. Just don't insist everybody else choose the same one. Don't incentivize technology to be able to surveil people or to determine what they are able to do and what information they get.

So there are lots of areas in which we have a very big challenge. And I haven't even begun to talk about security and defense— which we could go on forever, but I want you to be able to ask other questions— my point is, the enormity of this challenge is why Secretary Blinken pushed hard to create China House, for us to be able to have a way to better integrate and ensure that every embassy around the world has a bespoke strategy to deal with these challenges and the challenge of the PRC and to make sure that we had an integrated, coordinated way to wrap our arms around what is an enormous and pacing challenge for all of us.

**Ryan Hass:** Secretary Sherman, thank you for your eloquent articulation of the Biden administration's strategy towards China. I want to—

**Wendy Sherman:** You can stop there, Ryan. That was good.

**Ryan Hass:** We can wrap it. I want to start to dive into a few of the details that are dominating headlines today. And I don't want us to get captured by headlines, but it is important for us to situate this conversation. And the State Department seems to have been clear that we have postponed but not canceled Secretary Blinken's travel and your travel to Beijing. So what conditions would need to be present in order for us to have confidence that your trips to Beijing will be productive? And what is it that we're asking of the Chinese in this moment?

**Wendy Sherman:** So, look, we all, throughout this episode of the surveillance balloon, we have maintained communications with the PRC. When we first knew about the balloon, as I think has been reported in the press, Secretary Blinken and I called in the most senior person at the PRC embassy in the evening to tell them directly, even before it was made public, that we were very concerned about this. They, as we know, take messages back faithfully, which we appreciated. And we initially saw from the PRC regret about this balloon, but also that it was a weather balloon that had gone off course. That, of course, is what we know not to be accurate, that it was a surveillance balloon. How it got to the continental United States, how it got to Alaska and then through Canada and across the United States, we can debate, and we'll learn more about as time goes on.

But it traversed U.S. territory, which was a violation of our sovereignty and a risk just to make sure everybody knows, we closed down any military site, we know how to do this so that no intelligence can be captured. But nonetheless, this was of concern. And the president early on gave the order for the balloon to be taken down as soon it was safe to do so. And as you all know, we took it down. So all through this, there has been communication both here in Washington with Washington colleagues, with folks in the PRC and with our embassy Ambassador Burns and our Dave Miele [phonetic], our deputy, with colleagues in the PRC.

So we've never stopped communicating and trying to understand each other and make sure that although we had to do what we had to do, that we were clear, straightforward and also made it clear that we were postponing this trip. And when we assessed conditions were right, we hope to put it back on the schedule. We will find the right opportunities to move forward step by step. But I don't have any announcements today. But I knew you'd ask the question.

**Patricia Kim:** Secretary Sherman, on the broader topic of direct dialogue with the Chinese, you just mentioned how important it is to keep the lines of communication open, but there's growing skepticism in some quarters of Washington that we shouldn't be engaging with the Chinese directly because this lends Beijing legitimacy or that trying to establish guardrails for this bilateral relationship or trying to work on areas of common interests like climate change, give Beijing leverage over the United States. And so therefore, this is not a smart thing to be doing in an era of competition. How would you respond to such skepticism.

**Wendy Sherman:** I think you probably heard in my remarks, we're very clear. We will invest in our own country, we will align with our partners, and we will compete, but we will also engage.

China is the only country, as Secretary Blinken said in his speech in May of last year, that has the ability to challenge the rules-based international order, has that capacity. And for us not to engage would be to disadvantage the security and safety and the freedom of our country. We have to understand, we have to see what's possible. We have to have direct communication, tell the PRC when we think what they are doing is against the rules, the norms, the UN Charter and the Universal Declaration of Human Rights, which they ostensibly support. They are a permanent member of the Security Council. So we are present with them on the Security Council in multilateral institutions.

But we must be, we believe, bilaterally as well. And I think the majority of Americans believe that we need to engage. Sometimes it's most important, or equally important, to engage with those that you disagree with, then only with those you agree with. We need our partners and allies. We need like-minded to work together to deal and manage this challenge, this incredible challenge for our country and for the world. But we also need to engage with folks with whom we disagree and with adversaries.

**Ryan Hass:** Secretary Sherman, I know you've been spent a lot of time thinking about cross-strait issues and Taiwan. I want to ask you a question on this topic, because several uniformed military officers have suggested that the United States is on a fixed timeline towards eventual conflict with China over Taiwan. Some have said 2023, some have said 2025, some have said 2027. I'm not asking you to pick a date on the bingo card, but I do want to see if, if that aligns with your thinking. How are you thinking about cross-strait issues? Are we on an inevitable trajectory towards conflict, or is this still an issue that can be managed?

**Wendy Sherman:** I certainly hope we're not on an inevitable path to conflict. One of the things a lot of people in the world don't understand is that— and Americans as well— 50% of all shipping at one point or another goes through the Taiwan Strait. So if there is conflict in the Taiwan Strait, it's not just a matter of security for Asia, it is a matter of economic security for the entire world. One of the things I think that the world has come to understand is that through the unprovoked, premeditated and horrifying invasion by Vladimir Putin of Ukraine is that conflicts in one part of the world have impacts on the rest of the world. That horrifying invasion of Ukraine has increased energy insecurity for the whole world, has created food insecurity for the whole world, has increased inflationary pressures on the whole world. And the same would be true of a conflict in the Taiwan

Strait. And so I urge all countries to tell the PRC, this affects me, this affects my people, my country. This is not a good idea.

We know because Xi Jinping has said himself that he is determined to reunify Taiwan with the mainland, we believe very strongly that there should be no unilateral action that disturbs the peace and stability in the Taiwan Strait. And we are committed to support Taiwan in its ability to defend itself under the Taiwan, our One China policy, guided by the Taiwan relations sects, the three joint communiques and the six assurances. That policy has not changed. Our One China policy stands. We will continue to assist Taiwan and we hope that the PRC does not use a visit by a member of Congress to Taiwan as a pretext for military action.

**Patricia Kim:** Secretary Sherman, on Taiwan, there's debate in Washington on whether in order to counterbalance Beijing's growing aggression in the Taiwan Strait, it's necessary to revise the United States' longstanding policies on the Taiwan Strait by, for instance, unequivocally declaring a commitment to defend Taiwan in the case of a Chinese invasion, or by extending official diplomatic recognition of Taipei. I'm curious to hear your views on these kinds of arguments and what you think really are— and you've already sketched some out— but what are the most effective means to enhance deterrence in the Taiwan Strait and to uphold peace and stability in that region?

**Wendy Sherman:** So I know there's a lot of talk about this, and I think it's always good to have a robust discussion and gain ideas, that's what Brookings is known for and glad that the institution exists. But our One China policy has stood the test of time. It has helped to maintain peace and stability in the Taiwan Strait for decades through Republican and Democratic presidencies. And so our own view is that it is our policy. It should not change. And we stand by it because it's worked. I think, as I said to the previous question, we are committed to assisting Taiwan in its ability to defend itself and we will continue to follow the guidance of the Taiwan Relations Act, the three joint communiques and the six assurances. And that work goes on every single day.

**Ryan Hass:** If I can broaden the aperture a bit, we've talked a lot about China, some about Taiwan, but the Biden administration seems to have a Asia strategy that embeds China as opposed to the reverse, which makes sense from my perspective. And a key feature of that is the Indo-Pacific strategy. It was released about a year ago at this time. And to sort of borrow some State Department parlance, what do you think are our achievements and areas for improvement in implementation of the strategy?

**Wendy Sherman:** Well, let us also note that Chairman Menendez just released an Indo-Pacific report about on the one-year anniversary out of the Senate Foreign Relations Committee, because I think we all understand that the PRC challenge does sit in a region that's very important. I think we have done a terrific job of reestablishing a lot of partnerships, a lot of connectivity with the Indo-Pacific with this strategy, I mentioned the Quad, AUKUS, ASEAN, APEC, IPEF. We have an entire alphabet soup of new arrangements that we've added to robust set of multilateral institutions like ASEAN. We have reestablished and reinvigorated our relationship with ASEAN, and I think that's critical. And we believe in ASEAN centrality. So we have established, I think, a stronger and better relationship with India, which is the largest country in the world now and is a democracy and a critical partner going ahead. We have worked on conflict areas in the region as well as all of the positive capabilities that are there. As I mentioned, we have opened an embassy in the Solomon Islands and in Maldives. We will be doing some additional as well.

But one of the things that I talked to my Japanese and Korean counterparts about is how we sort of support each other, look at where each other has strengths and bring those strengths together to have a concerted and coordinated effort. Each of us can't do everything everywhere, though we all try. So if we can join forces, we can get a whole lot more done. And so that takes time. And we've moved far along that road, but we still have work to do to drill down in those areas. We joined with, out of the G7 the creation of PGII, which is the Partnership for Global Infrastructure Investments, bringing that together with the EU's Global Gateway to look on all continents, but certainly in the Indo-Pacific, for areas where we can bring private and public sector financing together to help bring infrastructure.

The PRC can just take SOE money, state enterprise money and pop it into a country. We're a little more complicated. We have to bring private and public sources together. We are now doing that. It takes time to find those projects, to put those projects together and to move them forward. But we are doing so. And I would suspect by the end of the first term of the Biden-Harris administration, we will have achieved some of those projects and have many more on the docket.

**Patricia Kim:** Wonder if we could get your thoughts on China and Russia's strategic partnership. It's been just about a year since Beijing and Moscow released their joint statement declaring a no limits partnership on the sidelines of the Beijing Olympics and again, about a year since the Russian invasion of Ukraine. So what do you make of this strategic alignment, how it's fared

over the last 12 months, and do you see any prospect at all for China to play a moderating force on Russian aggression or to play a more constructive role than it has thus far as war continues in Ukraine.

**Wendy Sherman:** My assessment is the PRC is trying to both increase its standing in the international community by saying that it's going to mediate and help bring this horrifying invasion to an end, and at the same time, they are committed to their no limits partnership with Russia. And we have certainly concern and growing concern about that partnership and the PRC's support for this invasion. And so I don't think that the PRC can have it both ways, though they're trying. And yes, we are concerned about this growing relationship, just as we are concerned about Iran's growing relationship with Russia. Obviously, everyone knows that Iranian UAVs have been used in this conflict. And we are concerned about the DPRK. We recently sanctioned the Wagner Group for its efforts in this regard with the DPRK. So a lot of concerns about relationships building.

But what I would say to all of those who are supporting Russia, you're going to end up with an albatross around your neck. Because having been in Kiev, having had the privilege of being in Kiev recently, the resolve, the determination, the courage of the Ukrainian people are supported by the American people, and I want to since we're streaming thank the American people for their steadfast support for the Congress's bipartisan support for Ukraine. The Ukrainians are going to deliver a strategic failure for Putin, and that's going to create a lot of problems for those who are supporting this unholy invasion going forward.

**Ryan Hass:** Well, we have a audience here who I know is very eager to ask you questions. I'm going to open the floor now. We will take two questions at a time, if you can please state your name, your affiliation, and please be very concise with your question. We'll start with Sheldon Ray.

**Patricia Kim:** It's coming.

**Audience Member:** Thank you, Ryan. I just spent eight days in Hong Kong and Hong Kong attitudes toward the U.S. are still pretty positive overall. But there is a deep resentment against the U.S. for punishing Hong Kong for the sins of China to some extent. Please comment. Thank you.

**Ryan Hass:** And we'll take one other question. We'll take it right here.

**Audience Member:** Thanks, I'm Ian Marlow from Bloomberg News. Deputy Secretary, I'm just wondering, before the balloon floated into all of our lives, there was this period of this sort of post-Biden Xi meeting where it looked like ties were sort of progressing towards a sort of more normalized

state of affairs. I'm just wondering, how much has the balloon incident itself, as well as the Chinese response, you know, blaming the U.S., putting out a narrative out there that this was, you know, wasn't a surveillance device trying to rope, rope allies behind them and getting some support from places like Venezuela and maybe, maybe some, some other places. How much is that preventing the U.S. and China from getting back to that, you know, that path that Biden and Xi wanted for, for the direction of ties? And, and is that media response from China, is that, is that making things worse? Is it making it harder? You know, do both sides want to move past this but kind of can't at the moment because of the public reaction? Thank you.

**Wendy Sherman:** Thank you. And I want to say now that we've had two wonderful questions from two guys, the next question has to be from one of the women in this audience.

**Ryan Hass:** It's a deal.

**Wendy Sherman:** Anybody who's been around me in any other public setting knows that to be the case. It breaks my heart that there is resentment, but I hear you loud and clear about that. We really want to stand, and I think we have with the people of Hong Kong, we were very vocal and actually took sanctioned actions when the PRC, in our view, broke the commitment they made when the UK handed Hong Kong back to the PRC. It is a terrible circumstance and we have not forgotten the people of Hong Kong and what they have to endure. And we will continue to do whatever we can to support them going forward. So thank you for letting me know how it feels in Hong Kong and I hope someday I get back there myself.

In terms of the relationship, the Biden-Xi meeting was really important and they did set out a path for both of us to engage and move forward. The surveillance of our country by this balloon and our now understanding and having shared with 40 countries all over the world that in fact we aren't the first or the last is of concern. We have been very direct about that concern. The PRC has said it was a weather balloon, we know that not to be the case. They have now said that there have been a gazillion balloons by the US over China. That's absolutely not true; there are no U.S. government balloons over China, period. John Kirby, the NSC spokesperson, said that publicly. So we understand that when incidents like this happen, there's some back and forth. But as I said, our communications have not stopped. We hope when conditions make sense that we will be seeing each other face to face again. But I have no announcements today.

**Ryan Hass:** We will ask, we will invite questions from two female audience members next. And while we, the microphone goes, may I just ask to follow up on Ian's question. Secretary Blinken and Wang Yi will be in Munich together this weekend—.

**Wendy Sherman:** I know that.

**Ryan Hass:** And following the logic of your, of your repeated statements that we've been persistent in our communication and dialogue with the Chinese, does that mean that we have an interest in Secretary Blinken sitting down with, with Wang Yi?

**Wendy Sherman:** I don't have anything to announce today, I'm well aware of that. I know there are other leaders that will be seeing Wang Yi. And so, you know, we're going to see where we are.

**Audience Member:** Secretary Sherman, thank you very much for being here. My name is Laurel Schwartz, and I recently returned from Beijing, where I was the principal of a Canadian Chinese school, I'm American. A few minutes ago—

**Wendy Sherman:** What were you doing at a school?

**Audience Member:** I was the principal of a Canadian Chinese school.

**Wendy Sherman:** Wow.

**Audience Member:** A few moments ago, you mentioned that for us to not engage would be to disadvantage the security, safety and freedom of our country. Since the past administration, we have not restored the China Fulbright program. We have also started to suspend moving our students to do language exchanges that are sponsored by the State Department in the PRC. Instead, they're now going to Taiwan very, very quietly. I understand that China is in a very challenging situation, but what are the plans for restoring some of these public diplomacy programs and when hopefully you and Secretary Blinken go to Beijing or have that meeting, will that be on the agenda? Thank you.

**Wendy Sherman:** Great question. I am a huge, huge supporter of people-to-people programs and exchanges, as is Secretary Blinken. And I have no doubt that when we reengage again, that people to people programs will be on the agenda. You know, whether we get to Fulbright right away, probably not in the first instance, been a fantastic program, really important to both our countries. So I think this will be a slow process, but I think that it's very important. I think there is something like— I'm going to get these figures wrong, so I probably shouldn't say them— there are thousands of Chinese students who come and study here, thousands. I think it's really important we do impose some

restrictions because we want to protect our technological insights and we have to do that. But nonetheless, thousands of Chinese students. Very few American students are in China. And we want to increase those numbers because we think it's important for us to understand each other better, and young people studying is an important part of doing that. So thank you for raising that question. I know Liz Allen and Lee Satterfield, our, our undersecretaryship and our exchange and cultural assistant secretary will be very grateful that you did.

**Ryan Hass:** Like to take another question from the lady in the back.

**Audience Member:** Hi. Thank you so much, Madam Secretary, this is Jiner Fan, I'm from George Washington University. I'm currently undergrad student studying IA, and I just want to appreciate your talk for covering so many relevant issue. And specifically my interest would be, well, you mentioned a bilateral or multilateral relationship building as we see both as permanent members of Security Council, U.S. and China, they haven't been having a good record of working together, especially on a lot of really critical issues of comprehensive security challenges we're facing nowadays. So I wondering, what's your perspective on what are the ways you see those two nations going forward, especially on issues such as climate change, mutual sort of counterterrorism, gender issues as well. Thank you so much.

**Wendy Sherman:** Sure. U.N. Security Council is a pretty challenging place right now when two of the members are Russia and China, but it nonetheless is an important venue. There are discussions going on now about a whole range of issues all over the world. I'd say the UN General Assembly has become a revised part of the institution because of the challenges in the U.N. Security Council. And just to put in a plug, the president, as he said in his U.N. General Assembly speech this year, as Secretary Blinken has said, we are big supporters of U.N. and Security Council reform because we believe that more voices need to be heard in the deliberations of the world, and we think that would help make the decisions that we are all trying to make on behalf of our citizens. There is no doubt that we cannot meet the climate challenge without engagement with the PRC. It's just not possible because we are both such large emitters and historic emitters.

I'm very glad that one of the relationships that did get reengaged after it got disengaged following Speaker Pelosi's visit to Taiwan was the channel between special presidential envoy John Kerry and his Chinese counterpart. Now, that's strained at the moment, but it is absolutely critical. And as we head toward COP 28, COP 27 was okay, but we need to make much more progress, much

faster. I'm very appreciative of the support in Congress for the Inflation Reduction Act because among other things, it's the larger investment in our own climate change technology that we need to reach 1.5 degrees Celsius. So your point is incredibly well taken and speaks to the fact that there are areas in which we need to see whether we can cooperate. I also appreciate, of course, you're raising gender issues, which was a topic of conversation with my Korean and Japanese colleagues as well. Any society that does not ensure opportunity and access for women is missing half of the resources that their country could have.

**Ryan Hass:** Indeed. This gentleman in the front row, please. Thank you.

**Audience Member:** Thank you very much, Madam Secretary. Thank you for your very robust and thorough explanation of our China strategy, particularly underscoring the importance of diplomacy that take place, that takes place underneath the headlines and behind the scenes. And along those lines— my name is Matthew Murray, I'm a professor at Columbia University and former deputy assistant Secretary of Commerce for the Obama-Biden administration— I wanted to get your assessment on our success with commercial diplomacy and specifically, how well are we doing at persuading local leaders in sub-Saharan Africa, South America, that it is better to do business on the basis of the Foreign Corrupt Practices Act rather than, you know, using state owned enterprise money or using, you know, China finance. And specifically, you know, are we winning projects? Are we winning deals based on the sustainability argument? Thank you.

**Wendy Sherman:** I'd say we're doing better. I think it was terrific that Secretary Yellen just did a trip to Africa. She was able to engage directly with leaders and talk about investment, talk about macroeconomics, of course, but she also talked about debt and what is the nature of debt and why is there debt? We're putting pressure on, for instance, in not in Africa, but in Sri Lanka, with India having come in with the Paris Club, having acted to get the PRC to now do what it needs to do since it holds most of Sri Lanka's debt. I think countries in Africa have particularly understood, I totally understand why they take Chinese money. It's easy. But a lot of them have learned that it can lead to debt, that they can't sustain, that they then don't maintain control of their assets, that the PRC often brings in Chinese workers as opposed to transferring technology to local workers. And so we have to make a case, it's harder for us to make the case you're suggesting that we're bringing really sophisticated finance, we're bringing the private sector and public monies together.

I think DFC and MCC are terrific new vehicles. I think Amos Hochstein leading PGII is critical. I think we are now putting deals together, working with the EU as well through Global Gateway. This is all really hard work. Secretary Raimondo is just fantastic, also traveling the world. All the while she is managing staggering amounts of money at the Commerce Department's under the CHIPS Act, because that's really our future. That is really our future. So I think there's really robust activity taking place in the administration. It's hard work. It's very hard work.

**Ryan Hass:** We have time for one final short question. If we can have it from a female, that would probably be best, right here.

**Audience Member:** Thanks. Thanks for taking my question. My name is Mary Lovely. I'm from the Peterson Institute. You mentioned many ways in which the U.S. is competing with China. I'd like you to address again about cooperation with China. Where, where are we able to find pathways that are mutually beneficial? Again, on financing, you talked about competing in terms of, you know, outside of the U.S. Again, how do we work with China in third countries who will remain close to China, either through agreements in the region or just geo, geographically? Thank you.

**Wendy Sherman:** Let me be really clear. You know, we don't tell countries that choose between our money and China's money, or China and the United States or the PRC and European Union countries or Middle Eastern countries or other countries that could help finance what they're doing. What we say is we believe there is a rules-based international order. We believe that there are rules that have been set out in the international system that we have all bought into that helped you, PRC, rise and be able to reduce significantly the level of poverty in your country, which is impressive. But the Chinese have been able to do that because of the rules-based international system, which they now no longer want to make use of, but rather set their own rules. And so it's fine if there is Chinese money, there is Chinese money in the United States. United States companies invest in China. So we're not saying end all of that. We're not talking about decoupling anywhere, de-risking where it makes sense, absolutely. Absolutely. And really having eyes wide open about what you're doing and what's possible.

But we are all for countries being able to develop, to create a middle class. Countries having a middle class is good for America because it's an export market for what we produce and who we are. So it's not to say that the PRC can't invest or that you should toss them out. It's that be eyes wide open, understand what you're getting, understand what rules apply, what the norms are. Give us a

chance. See what we have to offer. Let us compete and help you develop as a country in the ways that you choose. We believe that we must find a path to cooperate on climate.

It would be really critical if we could reestablish our counter-narcotics effort. There is enough fentanyl in the United States today to kill every one of us, some experts believe. There's probably not a parent in this room who doesn't know somebody or somebody who knows somebody whose kid died of an overdose, accidental or otherwise. Some years ago, China did close down fentanyl, but not the precursors in some of their companies. Some of the precursors are in other countries now as well. And for some countries, illegal synthetics are not fentanyl, they're other things. This is something the whole world has to work on. The whole world has to work on stopping the production of synthetic, illegal synthetic drugs. Some of them are necessary for medical health, but not all of them. So global health is another area in which we all need to work together. And the issue of fentanyl is not just a counter-narcotics issue, it is a global public health issue, a huge global public health issue. There are other areas in which I know we can find a path to work together. The people-to-people exchanges are another one.

So, yes, there are areas where there needs to be cooperation and if we want, we all best thrive when there is peace and stability in the world. We all, it's why the world hopes that, you know, if Putin decided today to withdraw his troops, the war ends. If Ukraine stopped today, Ukraine would end. Sometimes leaders can make very important choices that help not only their prosperity, but the world's. So President Biden, Vice President Harris, who's headed off to the Munich Security Conference, as is Secretary Blinken— I'm staying in Washington while everybody else goes to Munich— it is important for us all to work for peace and stability. For freedom, for the sovereignty and territorial integrity of countries and for the right of people to freely choose their future.

**Ryan Hass:** That's an incredibly powerful note to end on. We wish you Godspeed in advancing the vision that you've laid out and shared with us today. Thank you for your time. In respect for the secretary's schedule, I would ask that everyone please stay seated for a minute so that she has an opportunity to exit because she has a very tight schedule today. And we thank you very much for your time with us.

**Wendy Sherman:** Thank you very much. Thank you for having me.